



**MINUTES FROM THE MEETING OF THE  
PLANS MANAGEMENT BOARD  
SEPTEMBER 5, 2018**

A meeting of the Plans Management Board (the “Board”) was held on September 5, 2018, 10:00 a.m., in the Buck Library at the Buena Vista Conference Center, located at 661 S. Dupont Highway, New Castle, DE 19720.

Board Members Represented or in Attendance:

Mr. Stephen Saville, Board Chair  
Mr. Alan Colberg, Investment Committee Chair  
Mr. Gerald Gallagher, Member-at-Large  
Mr. Charles Campbell-King, Member-at-Large  
Mr. Charles Longfellow, Associate Secretary for Operations Support, Department of Education (on behalf of Ms. Susan Bunting, Secretary of Education)  
The Honorable Trinidad Navarro, Insurance Commissioner  
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)  
The Honorable Kenneth Simpler, State Treasurer

Board Members Not Represented or in Attendance:

Mr. Ralph Cetrulo, Audit and Governance Committee Chair  
Mr. Michael Jackson, Director, Office of Management and Budget

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice  
Mr. Stuart Snyder, Chief of Staff, Delaware Department of Insurance  
Mr. Art Jenkins, Senior Legislative Analyst, Office of the Controller General  
Mr. John Meyer, Director of Contributions and Plans Management, OST  
Mr. Mike Green, Investments and Operations Manager, OST  
Mr. Dan Kimmel, Promotion and Outreach Manager, OST  
Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)  
Ms. Marie Villeneuve, Consultant, Cammack  
Ms. Melissa Ridolfi, Vice President of Retirement and College Products, Fidelity Investments (“Fidelity”)  
Mr. Justin Rozzero, Director-529 Product and Relationship Manager, Fidelity  
Mr. Roger Morrissette, Retirement and College Leadership Squad Member, Fidelity  
Mr. Frederick Blue, Sr. Vice President, Client Relationship Management, Voya Financial (“Voya”)  
Ms. Natalie Daniels, Vice President, Strategic Relationship Management, Voya  
Ms. Sarala Katta, Regional Vice President, Voya

Mr. Michael DeLauro, Communications Strategist, Voya  
Ms. Rebecca Kidner, Attorney, Kidner Law Office  
Mr. Justin Windheim, Senior Account Supervisor, Aloysius Butler & Clark (“AB&C”)

### **CALLED TO ORDER**

The meeting was called to order at 10:05 a.m.

### **APPROVAL OF MINUTES**

Mr. Saville presented the minutes from the June 12, 2018 meeting of the Board. Mr. Campbell King noted that he was not in attendance at the June 12 meeting and would abstain from voting on the approval of the minutes.

**A MOTION was made by Mr. Saville and seconded by Mr. Colberg to approve the minutes from the Board meeting on June 12, 2018.**

**MOTION ADOPTED UNANIMOUSLY**

### **VENDOR PRESENTATIONS AND BUSINESS RESULTS**

#### *Deferred Compensation Plan - Voya*

Mr. Meyer presented the update on the deferred compensation program on behalf of Voya. Mr. Meyer provided a recap of progress against goals, the 2018 marketing update, and future program considerations. Mr. Meyer reviewed the program goals from the strategic plan and provided a status update on the participation rate and retirement readiness goals.

After remaining flat at 37 percent for 2017, Mr. Meyer reported that the participation rate is trending upward in 2018 with an increase by one percentage point to 38 percent. Mr. Meyer also discussed enrollment numbers and attributed the growth to program awareness resulted from email communications, group meetings, one-on-one advisor appointments, and direct mail campaigns encouraging participation in the plan. Mr. Meyer indicated that 40 percent of individuals that are requesting an advisor appointment are from employees not currently participating in the plan.

Mr. Meyer discussed the retirement readiness figures and reminded the Board figures belong to the 457 plan only (due to the assets in the 403(b) plan being split between Voya and the legacy vendors). Mr. Meyer indicated that at the end of 2017 and 2018 there were only roughly 1,300 and 1,600 participants on target to replace 15 percent of their pre-retirement income, respectively. Ms. Scola asked if a participant’s assets outside of the plan, such as personal savings and individual retirement accounts, are included in retirement readiness figures. Mr. Kimmel responded that they are not counted in the retirement readiness goal tracking; however, participants have the ability to link outside accounts with their Voya assets to evaluate their overall financial situation.

Mr. Kimmel reported that the 403b plan assets under management in the group contract with Voya was \$91.8 million as of June 30, 2018, and reminded the Board that there are \$314.5 million in assets held in individual contracts controlled by “legacy” vendors.

#### *College Investment Plan - Fidelity*

Mr. Rozzero reviewed Fidelity’s business results for the college plan from the second quarter of 2018. Assets in the plan grew by 0.9 percent from the first quarter. The rate of growth lagged industry growth (2.7 percent) and is indicative of the “age wave” in Delaware because of the large percentage of

beneficiaries nearing college age and withdrawing funds. Mr. Rozzero outlined that 40 percent of new accounts in the quarter were opened for beneficiaries under the age of six, which Fidelity noted as a positive trend. New accounts in the plan grew 35 percent in the quarter when compared to the same period in 2017. Contributions made by participants in the plan were up 12 percent year-over-year. Mr. Rozzero stated that the contribution growth was in line with other Fidelity plans. Furthermore, new accounts opened in the plan by Delaware residents grew by 29 percent in the quarter compared to the first quarter of 2017.

Mr. Rozzero outlined the 2018 College Savings Indicator Survey that Fidelity recently released. The survey score suggested that parents were on track to meet 28 percent of their college savings goal, which was up from 24 percent in 2016. The study indicated that parents began saving for college when their children were five-years old on average, which was two years earlier than in 2016. Fidelity suggests a “2k rule of thumb,” which defines college readiness as having \$2,000 saved for each year of a beneficiary’s age. Mr. Rozzero stated that 20 percent of plan account holders qualified as ready under this definition, which was up from 19 percent in the previous quarter. This readiness percentage was in line with Fidelity’s other state plans.

## **STRATEGIC PLAN DISCUSSION FOR COLLEGE INVESTMENT PLAN**

### *Review and Approval of Mission Statement and Goals*

Mr. Meyer presented strategies for consideration by the Board and reviewed the recent collaboration with Fidelity on local marketing efforts (including the Delaware Museum of Natural History, Delaware Children’s Theatre, and New Castle County Ice Cream Festival). Mr. Meyer proposed the use administrative funds to partner with AB&C, a Delaware-based marketing agency, to further local promotion of the plan.

Mr. Meyer introduced Justin Windheim, a representative from AB&C, and indicated that the firm started work on a creative concept development project and would be making a formal presentation to the Board at the December meeting. The Board discussed if AB&C’s efforts should focus on getting people in the plan, or on helping Delaware residents in general become college ready.

Mr. Saville expressed interest in performing a survey to better understand what Delawareans thought about the college plan, their understanding of the 529 product, and if the brand should be updated. Treasurer Simpler stated support for the survey but was unsure if such work was in the scope of the original proposal outlined for the creative concept development. Mr. Campbell-King stated that a survey could include a question on the awareness of 529 and, more specifically, the Delaware plan. Mr. Saville indicated that the survey should also include an understanding of what Delawareans know about college savings. Treasurer Simpler stated that the engagement could require AB&C to identify types of baseline surveys that could be completed to better understand the market. Ms. Ridolfi suggested using the recent Fidelity survey as a starting point.

Mr. Saville stated the need for a baseline survey would benefit the creative concept. Treasurer Simpler proposed the development of survey questions for the Board’s review. Mr. Saville proposed increasing the engagement amount from the proposed \$5,000 up to \$10,000 to provide for the establishment of criteria for a survey. Mr. Windheim indicated the suggested amount was sufficient for AB&C to conduct a statewide survey with twenty questions.

## **MOTION TO APPROVE OF CREATIVE CONCEPT DEVELOPMENT WITH AB&C**

**A MOTION was made by Mr. Campbell-King and seconded by Commissioner Navarro to approve the Delaware College Investment Plan to engage with AB&C for creative concept development and the development of a survey with delivery method to be determined and grant OST the discretion to manage the spend up to \$10,000.**

**MOTION ADOPTED UNANIMOUSLY**

*Commissioner Navarro exited the meeting at 11:40 a.m. The Board resumed meeting at 11:45 a.m. and Mr. Saville welcomed Mr. Stuart Snyder to the meeting as designee for Commissioner Navarro.*

## **APPROVAL OF DESIGNEE FOR INSURANCE COMMISSIONER NAVARRO**

**A MOTION was made by Treasurer Simpler and seconded by Mr. Colberg to approve Mr. Stuart Snyder as a designee for Commissioner Navarro.**

**MOTION ADOPTED UNANIMOUSLY**

## **INVESTMENT COMMITTEE REPORT**

### *Investment Performance of College Investment Plan*

Mr. Colberg provided a report on the Investment Committee meeting held on August 21, 2018. Fidelity presented on the portfolio performance on the college investment plan. At a future meeting, the committee will hear from the one of the two portfolio managers for the plan.

Representatives from Cammack and American Funds presented on performance during the second quarter of 2018. American Funds provided the Investment Committee with an in-depth presentation on the target date fund series within the deferred compensation plans. Cammack arranged a phone interview with a managing director of ClearBridge, a group currently on the watch list. ClearBridge remains on the watch list at this time. All copies of the presentations have been made available online.

Finally, the committee completed its review of the Investment Policy Statement for the deferred compensation plans, and the final product is being recommended for approval by the Board.

## **APPROVAL OF INVESTMENT POLICY STATEMENT FOR DEFERRED COMPENSATION**

**A MOTION was made by Ms. Scola and seconded by Treasurer Simpler to accept the recommendation to approve the IPS for the 457(b), 401(a) and 403(b) plans.**

**MOTION ADOPTED UNANIMOUSLY**

## **AUDIT AND GOVERNANCE COMMITTEE REPORT**

### *Acceptance of Plan Audits*

Belfint Lyons and Schuman (“BLS”) presented the audit reports and financial statements for the 2015 403(b), and 2016 & 2017 457(b) and 401(a) plans. The Audit and Governance Committee accepted the audit reports and financial statements for the plans. Mr. Meyer stated that copies of the audit reports were posted online and the physical copies were available for Board members. Mr. Colberg stated that one BLS letter was dated with the incorrect year and asked for the modification to be made to the letter.

## **APPROVAL OF THE ACCEPTANCE OF THE AUDIT REPORTS**

**A MOTION was made by Mr. Gallagher and seconded by Mr. Colberg to accept the audit reports and financial statements for the 2015 403(b), and 2016 & 2017 457(b) and 401(a) plans with the date correction suggested by Mr. Colberg.**

## **MOTION ADOPTED UNANIMOUSLY**

### *Review and Approval of the Governance Manual (Table of Contents)*

Mr. Staib introduced table of content of the governance manual and indicated that the manual will serve two purposes once it is finalized. The first one is to serve as a single point of reference for law and the background information for the Board when carrying out its fiduciary duty. The second one is to act as a repository for all the various operating policies that the Board will be approving and that it has approved such as the Investment Policy Statement.

## **APPROVAL OF THE GOVERNANCE MANUAL (TABLE OF CONTENTS)**

**A MOTION was made by Ms. Scola and seconded by Mr. Campbell-King to accept the table of contents as presented and to direct the development of the governance manual and related policies.**

## **MOTION ADOPTED UNANIMOUSLY**

### *Review and Approval of the Plan Expense and Allocation Policy*

Mr. Meyer outlined that OST worked with Audit and Governance Committee member Mr. Macedo and counsel to develop a policy governing the use of administrative fees collected from plan participants. The policy directs OST to ensure, prior to the disbursement of fees, that expenditures are: (i) borne by the appropriate plan; (ii) permitted by the plans and applicable law; (iii) reasonable; and (iv) within budget limitations. Mr. Staib and Mr. Saville discussed specifics related to for the payment of legal fees.

## **APPROVAL OF THE POLICY FOR ALLOCATION AND PAYMENT OF PLAN EXPENSES**

**A MOTION was made by Mr. Colberg and seconded by Mr. Campbell King to approve the policy for the allocation and payment of plan expenses.**

## **MOTION ADOPTED UNANIMOUSLY**

### *Approval of the 457(b) Legacy Fees Carve-Out*

Mr. Meyer reported on the initial analysis to establish a carve-out for participants that left the plan prior to the fee suspension in June 2018. Preliminary research indicates that 1,116 unique participants withdrew from the 457(b) plan between September 2016 and June of 2018. The Board discussed the cost benefit analysis of remitting fees to participants that left the plan. Mr. Saville requested that this item be routed back to the Audit and Governance Committee to determine if any material action should be taken due to potential cost outweighing the benefit. The topic was tabled for further analysis.

### *Review and Approval of Memorandum of Understanding (“MOU”) with the Auditor of Accounts’ Office*

Mr. Meyer stated the Board is statutorily required to enter into an MOU with the Office of the Auditor of Accounts (“AOA”) concerning the retention of outside auditors. The draft MOU included a unique fee structure to compensate AOA for its role in the procurement process and the oversight of the engagement with outside auditors. Ice Miller confirmed AOA fees qualify as a plan expense and may be paid as such to the extent the fee is reasonable.

Mr. Meyer indicated that the fee as originally proposed was 23 percent of the outside auditor’s contract amounts. Mr. Gallagher stated that several school districts had the same concerns with the AOA fee structure and were able to negotiate lower rates. The Board discussed historical rates, settlement parameters, and directed Mr. Meyer to negotiate a reasonable AOA fee.

## **APPROVAL OF MOU WITH THE AUDITOR'S OFFICE**

**A MOTION was made by Mr. Gallagher and seconded by Ms. Scola to: (a) approve the MOU with the Auditor's Office, (b) authorize OST to execute the MOU on behalf of the Board, (c) authorize OST to negotiate a reasonable AOA fee (within parameters established by the Board), and (d) authorize OST to pay the negotiated AOA fee from fees collected from plan participants in accordance with the plan expense policy approved by the Board.**

**MOTION ADOPTED UNANIMOUSLY**

## **BUDGET**

*Review and Approval of Revised Budget*

Mr. Meyer presented a revised budget reflecting changes approved at the June Board meeting as well as actual figures.

## **APPROVAL OF THE REVISED BUDGET**

**A MOTION was made by Mr. Campbell-King and seconded by Mr. Saville to approve the revised budget.**

**MOTION ADOPTED UNANIMOUSLY**

## **ABLE REPORT**

*Launch Update*

Treasurer Simpler provided an update on the ABLE program.

Mr. Staib indicated that periodically the Board chair needs to sign non-substantive amendments adding member states to the consortium. The Board discussed these non-substantive changes.

## **APPROVAL OF THE DELEGATION OF AUTHORITY REGARDING ABLE AMENDMENTS**

**A MOTION was made by Mr. Saville and seconded by Mr. Campbell-King to approve the delegation of authority to OST for signing amendments adding or removing members states to the consortium.**

**MOTION ADOPTED UNANIMOUSLY**

## **PUBLIC COMMENTS**

No members of the public present for comment.

## **NEXT MEETING**

The next meeting of the Audit and Governance Committee is scheduled for November 13, 2018.

The next meeting of the Investment Committee is scheduled for November 20, 2018.

The next meeting of the Board is scheduled for December 4, 2018.

## **ADJOURNMENT**

**A MOTION was made by Treasurer Simpler and seconded by Mr. Colberg to adjourn the meeting of the Board at 12:28 p.m.**

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

---

Stephen Saville,  
Chair for the Plans Management Board